

**REPORT OF THE AUDIT OF THE  
TAYLOR COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2003**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
[www.kyauditor.net](http://www.kyauditor.net)**

**105 SEA HERO ROAD, SUITE 2  
FRANKFORT, KY 40601-5404  
TELEPHONE (502) 573-0050  
FACSIMILE (502) 573-0067**



## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE TAYLOR COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2003**

The Auditor of Public Accounts has completed the Taylor County Fiscal Court audit for fiscal year ended June 30, 2003. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

#### **Financial Condition:**

Cash balances increased by \$150,201 from the beginning of the year, resulting in a cash surplus of \$1,017,340 as of June 30, 2003.

#### **Debt Obligations:**

Capital lease principal agreements totaled \$639,520 as of June 30, 2003. Future principal and interest payments of \$728,982 are needed to meet these obligations.

#### **Report Comment:**

- Additional Policies Should Be Implemented To Monitor Federal Funds

#### **Deposits:**

The fiscal court's deposits were insured and collateralized by bank securities or bonds.



## CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT .....	1
TAYLOR COUNTY OFFICIALS .....	3
STATEMENT OF ASSETS, LIABILITIES, AND EQUITY ARISING FROM CASH TRANSACTIONS .....	6
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES.....	12
TAYLOR COUNTY HOSPITAL AND TAYLOR COUNTY HOSPITAL DISTRICT HEALTH FACILITY CORPORATION STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS .....	17
TAYLOR COUNTY HOSPITAL AND TAYLOR COUNTY HOSPITAL DISTRICT HEALTH FACILITY CORPORATION STATEMENT OF CASH FLOWS.....	21
NOTES TO FINANCIAL STATEMENTS .....	22
SUPPORTING SCHEDULES:	
COMPARATIVE SCHEDULE OF BUDGETED TO ACTUAL OPERATING REVENUE .....	31
SCHEDULE OF OPERATING REVENUE.....	35
COMPARATIVE SCHEDULE OF FINAL BUDGET AND BUDGETED EXPENDITURES.....	39
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS .....	43
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133.....	47
SCHEDULE OF FINDINGS AND QUESTIONED COSTS .....	51
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS .....	55
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS .....	57
SUMMARY OF PRIOR AUDIT FINDINGS.....	61
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS	





**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Robbie Rudolph, Secretary  
Finance and Administration Cabinet  
Honorable Paul W. Patton, Taylor County Judge/Executive  
Members of the Taylor County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and equity arising from cash transactions of Taylor County, Kentucky, as of June 30, 2003, the statement of cash receipts, cash disbursements, and changes in cash balances, the statement of revenues, expenses, and changes in fund net assets, and the related statement of cash flows for the year then ended. These financial statements are the responsibility of the Taylor County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Taylor County Hospital District and Taylor County Hospital District Health Facility Corporation. Those financial statements were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for the Taylor County Hospital District and Taylor County Hospital District Health Facility Corporation, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Taylor County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.



To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Robbie Rudolph, Secretary  
Finance and Administration Cabinet  
Honorable Paul W. Patton, Taylor County Judge/Executive  
Members of the Taylor County Fiscal Court

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and equity as of June 30, 2003, of Taylor County, Kentucky, and the revenues received and expenditures paid and the cash flows of its discretely presented component units for the year then ended, in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated January 30, 2004 on our consideration of Taylor County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Taylor County, Kentucky. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the schedule of findings and questioned costs, included herein, which discusses the following report comments:

- Additional Policies Should Be Implemented To Monitor Federal Funds

Respectfully submitted,



Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
January 30, 2004



TAYLOR COUNTY OFFICIALS

For The Fiscal Year Ended June 30, 2003

**Fiscal Court Members:**

Paul W. Patton	County Judge/Executive
James D. Jones	Magistrate
Bobby Roots	Magistrate
John Gaines	Magistrate
Steve Holt	Magistrate
James E. Cochran	Magistrate
J. W. McFarland	Magistrate

**Other Elected Officials:**

Craig Cox	County Attorney
Rodney Burress	Jailer
Mark Carney	County Clerk
Sam Newcomb	Circuit Court Clerk
John Shipp	Sheriff
Julie Shields	Property Valuation Administrator
Terry Dabney	Coroner

**Appointed Personnel:**

Maxine White	County Treasurer
Sherry Kerr	Occupational Tax Collector
Debbie McNear	Finance Officer

THIS PAGE LEFT BLANK INTENTIONALLY

STATEMENT OF ASSETS, LIABILITIES,  
AND EQUITY ARISING FROM CASH TRANSACTIONS

TAYLOR COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND EQUITY ARISING FROM CASH TRANSACTIONS

June 30, 2003

	Governmental Fund Type		Totals (Memorandum Only)
	General	Special Revenue	Primary Government
<u>Assets and Other Resources</u>			
<u>Assets</u>			
Current Assets:			
Cash and Cash Equivalents	\$ 904,376	\$ 116,592	\$ 1,020,968
Patient Accounts Receivable, less Allowance for Uncollectible Accounts of \$2,609,000 in 2003			
Inventories			
Prepaid expenses and Other Current Assets			
Total Current Assets	<u>\$ 904,376</u>	<u>\$ 116,592</u>	<u>\$ 1,020,968</u>
Assets Limited As To Use By Board of Trustees:			
Depreciation Reserve Fund	\$	\$	\$
Retirement Funds and Unemployment Compensation			
Total Assets Limited To Use	<u>\$</u>	<u>\$</u>	<u>\$</u>
Property Plant and Equipment:			
Land	\$	\$	\$
Buildings and Improvements			
Equipment			
Less Accumulated Depreciation and Amortization			
Add Construction In Progress			
Net Property and Equipment	<u>\$</u>	<u>\$</u>	<u>\$</u>
Investment in JHHN Regional Service Center	\$	\$	\$
Prepaid Pension Cost			
Other Assets			
Total Assets	<u>\$ 904,376</u>	<u>\$ 116,592</u>	<u>\$ 1,020,968</u>
Other Resources:			
Amounts to Be Provided in Future Years for:			
Capital Lease Principal (Note 4)	\$ 639,520	\$	\$ 639,520
Total Other Resources	<u>\$ 639,520</u>	<u>\$</u>	<u>\$ 639,520</u>
Total Assets and Other Resources	<u>\$ 1,543,896</u>	<u>\$ 116,592</u>	<u>\$ 1,660,488</u>

The accompanying notes are an integral part of the financial statements.

TAYLOR COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND EQUITY ARISING FROM CASH TRANSACTIONS  
June 30, 2003(Continued)

Component Unit	Totals (Memorandum Only)	
	Reporting Entity	
\$ 2,747,731	\$	3,768,699
8,035,195		8,035,195
530,279		530,279
943,614		943,614
<u>\$ 12,256,819</u>	<u>\$</u>	<u>13,277,787</u>
\$ 11,278,337	\$	11,278,337
328,784		328,784
<u>\$ 11,607,121</u>	<u>\$</u>	<u>11,607,121</u>
\$ 17,229,963	\$	17,229,963
13,876,111		13,876,111
411,362		411,362
<u>31,517,436</u>		<u>31,517,436</u>
21,475,294		21,475,294
<u>10,042,142</u>		<u>10,042,142</u>
5,737,008		5,737,008
<u>\$ 15,779,150</u>	<u>\$</u>	<u>15,779,150</u>
\$ 440,000	\$	440,000
118,055		118,055
578,287		578,287
<u>\$ 40,779,432</u>	<u>\$</u>	<u>41,800,400</u>
<u>\$</u>	<u>\$</u>	<u>639,520</u>
<u>\$</u>	<u>\$</u>	<u>639,520</u>
\$ 40,779,432		42,439,920

The accompanying notes are an integral part of the financial statements.

TAYLOR COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND EQUITY ARISING FROM CASH TRANSACTIONS  
June 30, 2003  
(Continued)

	Governmental Fund Type		Totals (Memorandum Only)
	General	Special Revenue	Primary Government
<u>Assets and Other Resources</u> (Continued)			
<u>Liabilities and Net Assets/Equity</u>			
<u>Liabilities</u>			
Current Liabilities:			
Accounts Payable and Accrued Expenses	\$	\$	\$
Accrued Salaries and Withholdings			
Accrued Vacation and Sick Leave			
Estimated Amounts Payable to Medicare and Medicaid			
Payroll Liabilities	2,175		2,175
Deferred Compensation Liabilities	1,453		1,453
Current Portion of Long-term Obligations			
Total Current Liabilities	\$ 3,628	\$	\$ 3,628
Long-term Obligations, Less Current Portion	\$	\$	\$
Capital Leases (Note 4)	639,520		639,520
Total Liabilities	\$ 643,148	\$	\$ 643,148
<u>Net Assets/Equity</u>			
Net Assets	\$	\$	\$
Equity:			
Reserved	860	116,592	117,452
Unreserved	899,888		899,888
Total Net Assets/Equity	\$ 900,748	\$ 116,592	\$ 1,017,340
Total Liabilities and Net Assets/Equity	\$ 1,543,896	\$ 116,592	\$ 1,660,488

The accompanying notes are an integral part of the financial statements.

TAYLOR COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND EQUITY ARISING FROM CASH TRANSACTIONS  
June 30, 2003  
(Continued)

Component Unit	Totals (Memorandum Only)	
	Reporting Entity	
\$ 1,347,138	\$	1,347,138
671,790		671,790
753,629		753,629
1,842,311		1,842,311
		2,175
		1,453
8,636		8,636
<u>4,623,504</u>		<u>4,627,132</u>
\$ 3,603,412	\$	3,603,412
		639,520
<u>\$ 8,226,916</u>	<u>\$</u>	<u>8,870,064</u>
\$ 32,552,516		32,552,516
		117,452
		899,888
<u>32,552,516</u>		<u>33,569,856</u>
<u>40,779,432</u>		<u>42,439,920</u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY



STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

TAYLOR COUNTY  
STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

For The Fiscal Year Ended June 30, 2003

	General Fund Type			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 5,842,073	\$ 4,026,589	\$ 1,069,455	\$ 90,630
Other Financing Sources:				
Transfers In	696,700			668,787
Total Cash Receipts	<u>\$ 6,538,773</u>	<u>\$ 4,026,589</u>	<u>\$ 1,069,455</u>	<u>\$ 759,417</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 5,558,203	\$ 3,018,728	\$ 1,060,108	\$ 738,094
Other Financing Uses:				
Transfers Out	696,700	696,700		
Lease Principal Paid	133,669	44,391	32,453	
Total Cash Disbursements	<u>\$ 6,388,572</u>	<u>\$ 3,759,819</u>	<u>\$ 1,092,561</u>	<u>\$ 738,094</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 150,201	\$ 266,770	\$ (23,106)	\$ 21,323
Cash Balance - July 1, 2002	<u>867,139</u>	<u>336,856</u>	<u>203,662</u>	<u>69,636</u>
Cash Balance - June 30, 2003	<u><u>\$ 1,017,340</u></u>	<u><u>\$ 603,626</u></u>	<u><u>\$ 180,556</u></u>	<u><u>\$ 90,959</u></u>

The accompanying notes are an integral part of the financial statements.

TAYLOR COUNTY  
STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES  
For The Fiscal Year Ended June 30, 2003  
(Continued)

General Fund Type		Special Revenue Fund Type			
Local Government Economic Assistance Fund	Fire Protection Fund	Community Development Block Grant Fund	Special Fund	Pride Fund	Adanta Fund
\$ 18,471	\$ 1,029	\$ 20,000	\$ 29,550	\$ 54,191	\$ 408,325
		3	25,715		270
\$ 18,471	\$ 1,029	\$ 20,003	\$ 55,265	\$ 54,191	\$ 408,595
\$ 3,114	\$ 1,000	\$ 20,003	\$ 55,828	\$ 58,048	\$ 408,595
\$ 3,114	\$ 1,000	\$ 20,003	\$ 55,828	\$ 58,048	\$ 408,595
\$ 15,357 9,390	\$ 29 831	\$	\$ (563) 6,108	\$ (3,857) 4,800	\$
\$ 24,747	\$ 860	\$ 0	\$ 5,545	\$ 943	\$ 0

The accompanying notes are an integral part of the financial statements.

TAYLOR COUNTY  
STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES  
For The Fiscal Year Ended June 30, 2003  
(Continued)

	Special Revenue Fund Type			
	Tebbs Bend Fund	Wireless Fund	Kentucky Agency On Substance Abuse Prevention Fund	Title V Grant Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 10,019	\$ 41,086	\$	\$ 72,728
Other Financing Sources:				
Transfers In		1,925		
Total Cash Receipts	<u>\$ 10,019</u>	<u>\$ 43,011</u>	<u>\$</u>	<u>\$ 72,728</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 6,368	\$ 104,886	\$ 10,703	\$ 72,728
Other Financing Uses:				
Transfers Out				
Lease Principal Paid		56,825		
Total Cash Disbursements	<u>\$ 6,368</u>	<u>\$ 161,711</u>	<u>\$ 10,703</u>	<u>\$ 72,728</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 3,651	\$ (118,700)	\$ (10,703)	\$
Cash Balance - July 1, 2002	<u>70,693</u>	<u>118,700</u>	<u>46,463</u>	
Cash Balance - June 30, 2003	<u><u>\$ 74,344</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 35,760</u></u>	<u><u>\$ 0</u></u>

The accompanying notes are an integral part of the financial statements.

TAYLOR COUNTY HOSPITAL AND  
TAYLOR COUNTY HOSPITAL DISTRICT HEALTH FACILITY CORPORATION  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS



TAYLOR COUNTY HOSPITAL AND  
TAYLOR COUNTY HOSPITAL DISTRICT HEALTH FACILITY CORPORATION  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

For The Fiscal Year Ended June 30, 2003

	<u>Year Ended June 30, 2003</u>
Unrestricted Revenues:	
Net Patient Service Revenue	\$ 37,104,161
Other Revenue	<u>554,042</u>
Total Unrestricted Revenue	<u>\$ 37,658,203</u>
Expenses:	
Salaries and Wages	\$ 12,854,713
Employee Benefits	4,074,042
Supplies	6,922,656
Purchased Services	1,429,127
Professional Fees	2,588,722
Depreciation and Amortization	1,981,076
Interest	467
Provision for Bad Debts	2,334,830
Provider Tax Expense	810,857
Other	<u>3,750,138</u>
Total Expenses	<u>\$ 36,746,628</u>
Operating Income	\$ 911,575
Nonoperating Gains	
Equity in Gains of JHHN Regional Service Center	\$ 135,000
Other Nonoperating Gains	<u>422,743</u>
Excess of Revenues Over Expenses, Before Ad	
Valorem Tax Revenue and Losses	1,469,318
Ad Valorem Tax Revenue	<u>643,100</u>
Excess of Revenues Over Expenses	\$ 2,112,418
Contributions for Capital Equipment	<u>30,991</u>
Increase in Fund Balance	\$ 2,143,409
Net Assets, Beginning of Year	<u>30,409,107</u>
Net Assets, End of Year	<u><u>\$ 32,552,516</u></u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY



TAYLOR COUNTY HOSPITAL AND  
TAYLOR COUNTY HOSPITAL DISTRICT HEALTH FACILITY CORPORATION  
STATEMENT OF CASH FLOWS



TAYLOR COUNTY HOSPITAL AND  
TAYLOR COUNTY HOSPITAL DISTRICT HEALTH FACILITY CORPORATION  
STATEMENT OF CASH FLOWS

For The Fiscal Year Ended June 30, 2003

	<u>Year Ended June 30, 2003</u>
<b>Cash Flows From Operating Activities</b>	
Excess of Revenues Over Expenses	\$ 2,112,418
Ad Valorem Tax Considered Financing Activity	(643,100)
Interest Expense Considered Financing Activity	467
Investment Income Considered Investing Activity	(346,093)
Equity Gains of JHHN Regional Service Center	(135,000)
Adjustments to Reconcile Excess of Revenues Over	
Expenses to Net Cash Provided by Operating Activities:	
Provisions for Bad Debts	2,334,830
Depreciation and Amortization	1,981,076
Other Changes in Operating Assets and Liabilities:	
Patient Accounts Receivable	(3,964,777)
Other Current Assets	(362,756)
Other Assets	(30,055)
Amounts Payable to Medicare and Medicaid	(26,233)
Other Current Liabilities	<u>(730,677)</u>
Net Cash Provided by Operating Activities	\$ 190,100
<b>Cash Flows From Capital and Related Financing Activities</b>	
Ad Valorem Tax	\$ 643,101
Donations of Equipment and Other Contributions	30,991
Net Additions to Property and Equipment	(6,407,909)
Additional Borrowings	3,613,295
Payments on Long-term Debt	(9,656)
Interest on Long-term Debt	<u>(467)</u>
Net Cash Used in Capital and Related Financing Activities	\$ (2,130,645)
<b>Cash Flows From Investing Activities</b>	
Investing Earnings	\$ 346,093
Investment in JHHN Regional Service Center	200,000
Change in Assets Limited as to Use	<u>454,457</u>
Net Cash Provided by Investing Activities	\$ 1,000,550
Net (Decrease) in Cash and Cash Equivalents	\$ (939,995)
Cash and Cash Equivalents, Beginning of Year	<u>3,687,727</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 2,747,732</u></u>

The accompanying notes are an integral part of the financial statements.

TAYLOR COUNTY  
NOTES TO FINANCIAL STATEMENTS

June 30, 2003

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Taylor County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Taylor County Hospital District and Taylor County Hospital District Health Facility Corporation as part of the reporting entity.

The Taylor County Hospital District and Taylor County Hospital District Health Facility Corporation is a legally separate entity. The fiscal court is able to impose its will on the hospital's governing body and is entitled to any assets if the hospital is sold. Therefore, management has included this entity as a component unit, and the entity financial activity is discretely presented in the financial statements. A complete copy of the audit report may be obtained from the Taylor County Hospital District (Hospital).

Additional - Taylor County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Taylor County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Taylor County Fiscal Court's fund types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Taylor County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund, and Fire Protection Fund.

TAYLOR COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2003  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The Taylor County Special Revenue Fund Type includes the following county funds: Community Development Block Grant Fund, Special Fund, Pride Fund, Adanta Fund, Tebbs Bend Fund, Wireless Fund, Kentucky Agency On Substance Abuse Prevention Fund, and Title V Grant Fund.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Long-term receivables, long-term obligations and amounts to be provided in future years to retire debt are recorded in the financial statements. The amount to be provided in future years to retire debt is offset by any cash or cash equivalents held by the county in a bond or debt service fund.

The State Local Finance Officer does not require the county to maintain a general fixed assets group of accounts; therefore the value of the county's fixed assets is not included in the financial statements. These fixed assets include buildings, equipment, and land that are owned by the county.

D. Legal Compliance - Budget

The Taylor County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

TAYLOR COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2003  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system, which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.34 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.28 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2003, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond.

TAYLOR COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2003  
(Continued)

Note 4. Capital Lease Agreements

- A. On August 2, 1999, the Taylor County Fiscal Court entered into a capital lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The capital lease agreement was for the purchase of dump trucks. The principal was \$92,580 at a variable interest rate for a period of 5 years, interest and principal paid monthly. Principal outstanding as of June 30, 2003 was \$23,255. Lease payment requirements excluding an anticipated interest rebate from KACoLT are:

<u>Fiscal Year Ended</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2004	\$ 560	\$ 20,054
2005	<u>17</u>	<u>3,201</u>
Totals	<u>\$ 577</u>	<u>\$ 23,255</u>

- B. On October 14, 1999, the Taylor County Fiscal Court entered into a capital lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The capital agreement was for the purchase of equipment for 911. The principal was \$300,000 at a variable interest rate for a period of 5 years, interest and principal paid monthly. Principal outstanding as of June 30, 2003 was \$86,058. Lease payment requirements excluding anticipated interest rebate from KACoLT are:

<u>Fiscal Year Ended</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2004	\$ 2,206	\$ 64,534
2005	<u>173</u>	<u>21,524</u>
Totals	<u>\$ 2,379</u>	<u>\$ 86,058</u>

TAYLOR COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2003  
(Continued)

Note 4. Capital Lease Agreements (Continued)

- C. On April 4, 2001, the Taylor County Fiscal Court entered into a capital lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The capital lease agreement was for the purchase of equipment for 911. The principal was \$81,000 at a variable interest rate for a period of 5 years, interest and principal paid monthly. Principal outstanding as of June 30, 2003 was \$50,000. Lease payment requirements excluding an anticipated interest rebate from KACoLT are:

Fiscal Year Ended	Scheduled Interest	Scheduled Principal
2004	\$ 1,958	\$ 16,000
2005	1,216	17,000
2006	448	17,000
Totals	<u>\$ 3,622</u>	<u>\$ 50,000</u>

- D. On April 4, 2001, the Taylor County Fiscal Court entered into a capital lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The capital lease agreement was for the purchase of a fire truck. The principal was \$215,138 at a variable interest rate for a period of 10 years, interest and principal paid monthly. Principal outstanding as of June 30, 2003 was \$179,138. Lease payment requirements excluding an anticipated interest rebate from KACoLT are:

Fiscal Year Ended	Scheduled Interest	Scheduled Principal
2004	\$ 8,375	\$ 19,000
2005	7,426	20,000
2006	6,427	21,000
2007	5,379	22,000
2008	4,283	23,000
2009-2011	5,797	74,138
Totals	<u>\$ 37,687</u>	<u>\$ 179,138</u>



TAYLOR COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2003  
(Continued)

Note 4. Capital Lease Agreements (Continued)

- E. On December 13, 2002, the Taylor County Fiscal Court entered into a capital lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The capital lease agreement was for the purchase of a backhoe. The principal was \$51,957 at a variable interest rate for a period of 5 years, principal is paid semi-annually with interest paid monthly. Principal outstanding as of June 30, 2003 was \$51,957. Lease payment requirements excluding an anticipated interest rebate from KACoLT are:

Fiscal Year Ended	Scheduled Interest	Scheduled Principal
2004	\$ 1,507	\$ 19,941
2005	965	10,384
2006	599	10,669
2007	223	10,963
Totals	<u>\$ 3,294</u>	<u>\$ 51,957</u>

- F. On December 6, 2002, the Taylor County Fiscal Court entered into a capital lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The capital lease agreement was for the purchase of a tractor and mower. The principal was \$71,183 at a variable interest rate for a period of 5 years, principal is paid semi-annually with interest paid monthly. Principal outstanding as of June 30, 2003 was \$57,909. Lease payment requirements excluding an anticipated interest rebate from KACoLT are:

Fiscal Year Ended	Scheduled Interest	Scheduled Principal
2004	\$ 1,876	\$ 13,739
2005	1,375	14,220
2006	856	14,717
2007	319	15,233
Totals	<u>\$ 4,426</u>	<u>\$ 57,909</u>

TAYLOR COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2003  
(Continued)

Note 4. Capital Lease Agreements (Continued)

- G. On November 1, 2002, the Taylor County Fiscal Court entered into a capital lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The capital lease agreement was for the purchase of an animal shelter vehicle. The principal was \$19,949 at a variable interest rate for a period of 5 years, principal is paid semi-annually with interest paid monthly. Principal outstanding as of June 30, 2003 was \$16,203. Lease payment requirements excluding an anticipated interest rebate from KACoLT are:

Fiscal Year Ended	Scheduled Interest	Scheduled Principal
2004	\$ 484	\$ 3,864
2005	354	3,986
2006	220	4,112
2007	82	4,241
Totals	<u>\$ 1,140</u>	<u>\$ 16,203</u>

- H. On June 16, 2003, the Taylor County Fiscal Court entered into a capital lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The capital lease agreement was for the purchase of land. The principal was \$175,000 at a fixed 3.08 percent interest rate for a period of 10 years; principal is paid annually on January 20<sup>th</sup> with interest paid monthly. Principal outstanding as of June 30, 2003 was \$175,000. Lease payment requirements are:

Fiscal Year Ended	Scheduled Interest	Scheduled Principal
2004	\$ 6,813	\$ 15,000
2005	5,919	16,000
2006	5,311	16,000
2007	4,677	17,000
2008	4,026	17,000
2009-2013	9,591	94,000
Totals	<u>\$ 36,337</u>	<u>\$ 175,000</u>

Note 5. Insurance

For the fiscal year ended June 30, 2003, Taylor County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE



TAYLOR COUNTY  
COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE

For The Fiscal Year Ended June 30, 2003

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Types</u>			
General Fund	\$ 3,435,487	\$ 4,026,589	\$ 591,102
Road and Bridge Fund	951,121	1,069,455	118,334
Jail Fund	89,962	90,630	668
Local Government Economic Assistance Fund	5,075	18,471	13,396
Fire Protection Fund	1,000	1,029	29
<u>Special Revenue Fund Types</u>			
Community Development Block Grant Fund	20,003	20,000	(3)
Special Fund	50,560	29,550	(21,010)
Pride Fund	80,439	54,191	(26,248)
Adanta Fund	500,000	408,325	(91,675)
Tebbs Bend Fund	750,000	10,019	(739,981)
Wireless Fund	56,001	41,086	(14,915)
Kentucky Agency On Substance Abuse Prevention Fund	25,000		(25,000)
Title V Grant Fund	113,848	72,728	(41,120)
Totals	<u>\$ 6,078,496</u>	<u>\$ 5,842,073</u>	<u>\$ (236,423)</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above		\$ 6,078,496	
Add: Budgeted Prior Year Surplus		738,979	
Less: Other Financing Uses		<u>(133,669)</u>	
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures		<u>\$ 6,683,806</u>	

THIS PAGE LEFT BLANK INTENTIONALLY

SCHEDULE OF OPERATING REVENUE





TAYLOR COUNTY  
SCHEDULE OF OPERATING REVENUE

For The Fiscal Year Ended June 30, 2003

Revenue Categories	GOVERNMENTAL FUND TYPES		
	Totals (Memorandum Only)	General Fund Types	Special Revenue Fund Types
Taxes	\$ 3,125,319	\$ 3,125,319	\$
In Lieu Tax Payments	31,063	31,063	
Excess Fees	188,928	188,928	
Licenses and Permits	102,550	102,550	
Intergovernmental Revenues	1,807,762	1,174,370	633,392
Charges for Services	153,137	153,137	
Miscellaneous Revenues	377,854	377,854	
Interest Earned	55,460	52,953	2,507
Total Operating Revenue	<u>\$ 5,842,073</u>	<u>\$ 5,206,174</u>	<u>\$ 635,899</u>

THIS PAGE LEFT BLANK INTENTIONALLY

COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES



TAYLOR COUNTY  
COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES

For The Fiscal Year Ended June 30, 2003

Expenditure Categories	GENERAL FUND TYPES		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 879,350	\$ 853,068	\$ 26,282
Protection to Persons and Property	999,163	927,073	72,090
General Health and Sanitation	163,805	164,954	(1,149)
Social Services	11,641	9,140	2,501
Recreation and Culture	87,642	87,642	
Transportation Facilities and Services	15,673	15,673	
Roads	933,572	911,490	22,082
Airports	60,174	60,174	
Debt Service	500		500
Capital Projects	110,869	95,869	15,000
Administration	1,741,042	1,695,961	45,081
Total Operating Budget - General Fund Types	\$ 5,003,431	\$ 4,821,044	\$ 182,387
Other Financing Uses:			
Capital Lease Agreement-			
Principal on Lease	76,844	76,844	
TOTAL BUDGET - GENERAL FUND TYPES	<u>\$ 5,080,275</u>	<u>\$ 4,897,888</u>	<u>\$ 182,387</u>

TAYLOR COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 For The Fiscal Year Ended June 30, 2003  
 (Continued)

Expenditure Categories	SPECIAL REVENUE FUND TYPES		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
Protection to Persons and Property	\$ 218,734	\$ 177,614	\$ 41,120
General Health and Sanitation	80,439	58,048	22,391
Social Services	1,304,531	425,666	878,865
Administration	76,671	75,831	840
Total Operating Budget - Special Revenue Fund Types	\$ 1,680,375	\$ 737,159	\$ 943,216
Other Financing Uses:			
KACO Leasing Trust Equipment Lease- Principal	56,825	56,825	
TOTAL BUDGET - SPECIAL REVENUE FUND TYPES	\$ 1,737,200	\$ 793,984	\$ 943,216

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS







**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Paul W. Patton, Taylor County Judge/Executive  
Members of the Taylor County Fiscal Court

**Report On Compliance And On Internal Control**  
**Over Financial Reporting Based On An Audit Of Financial**  
**Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of Taylor County, Kentucky, as of and for the year ended June 30, 2003, and have issued our report thereon dated January 30, 2004. We did not audit the financial statements of the Taylor County Hospital District and Taylor County Hospital District Health Facility Corporation. Other auditors whose report has been furnished to us audited those financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether Taylor County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Taylor County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
January 30, 2004

REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133





CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Paul W. Patton, Taylor County Judge/Executive  
Members of the Taylor County Fiscal Court

Report On Compliance With Requirements  
Applicable To Each Major Program And On Internal Control  
Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Taylor County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2003. Taylor County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Taylor County's management. Our responsibility is to express an opinion on Taylor County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Taylor County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Taylor County's compliance with those requirements.

In our opinion, Taylor County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.



Report On Compliance With Requirements  
Applicable To Each Major Program And On Internal Control  
Over Compliance In Accordance With OMB Circular A-133  
(Continued)

Internal Control Over Compliance

The management of Taylor County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Taylor County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Taylor County's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. A reportable condition is described in the accompanying schedule of findings and questioned costs.

Reference Number 2003-1

- Additional Policies Should Be Implemented To Monitor Federal Funds

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than the specified parties.

Respectfully submitted,



Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
January 30, 2004

SCHEDULE OF FINDINGS AND QUESTIONED COSTS





TAYLOR COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Fiscal Year Ended June 30, 2003

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Taylor County.
2. No reportable conditions disclosed during the audit of the financial statements are reported in the Independent Auditor's Report.
3. No instances of noncompliance material to the financial statements of Taylor County were disclosed during the audit.
4. We noted one reportable condition relating to the audit of the major federal award program in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Taylor County expresses an unqualified opinion.
6. An audit finding relative to the major federal awards program for Taylor County is reported in Part C of this schedule.
7. One program was tested as a major program: Targeted Capacity Expansion CFDA #93.230.
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Taylor County was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

REPORTABLE CONDITIONS

None.

NONCOMPLIANCES

None.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM  
AUDIT

Reference Number 2003-1

Additional Policies Should Be Implemented To Monitor Federal Funds

The fiscal court receives and deposits all grant funds into their bank account, and then they remit grant funds to the subrecipient (Adanta) and pay other federal grant expenditures. No one representing the fiscal court reviewed supporting documentation for expenditures and draw down requests, or reviewed the report of the audit conducted in accordance with United States Office and Management Budget Circular Number – A-133, which was obtained by the subrecipient (Adanta).

TAYLOR COUNTY  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 For The Fiscal Year Ended June 30, 2003  
 (Continued)

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM  
 AUDIT (Continued)

Reference Number 2003-1

Additional Policies Should Be Implemented To Monitor Federal Funds (Continued)

The Single Audit Act Amendments of 1996 Section 7502(f)(2) requires each pass-through entity to:

- a) Monitor the subrecipient's use of Federal awards through site visits, limited scope audits, or other means; and
- b) Review the audit of a subrecipient as necessary to determine whether prompt and appropriate corrective action has been taken with respect to audit findings, as defined by the Director, pertaining to Federal awards provided to the subrecipient by the pass-through entity.

We recommend that the Taylor County Fiscal Court:

- a) Enter into a written contract with its grant administrator stating the responsibilities of the grant administrator. The contract: 1) should require the grant administrator to review and approve supporting documentation for reimbursement requests; 2) should set responsibility and provide the procedures for the periodic monitoring, verification and reporting of program progress and accomplishments to the fiscal court; and 3) require the grant administrator to review the subrecipient audit report and monitor the resolution of findings. The contract should also address other matters such as compensation and reimbursements for travel.
- b) Enter into a written contract between the fiscal court and the subrecipient (Adanta).
- c) Approve draw down requests of federal funds, payments to the subrecipient, and other federal expenditures made from their bank account.

*County Judge/Executive Paul W. Patton's Response:*

*In accordance to the recommendations of the Auditor of Public Accounts, a written agreement has been entered into between Taylor County Fiscal Court and Team Taylor County (grant administrator).*

*The contract (1) requires the grant administrator to review and approve supporting documentation for reimbursed requests; and (2) provides procedures for monitoring all programs and reporting this to fiscal court; (3) requires the grant administrator to review the subrecipient's audit report and monitor the resolution of findings; and (4) addresses the compensation for the grant administrator.*

*Also, a written contract has been entered into between Taylor County Fiscal Court and Adanta (the subrecipient).*

*Fiscal Court has implemented the practice of approving all drawdown requests of federal funds, payments to the subrecipient and other federal expenditures.*

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS



TAYLOR COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Fiscal Year Ended June 30, 2003

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
Cash Programs:		
<u>U.S. Department of Health and Human Services</u>		
Direct Program:		
Targeted Capacity Expansion (CFDA #93.230)	6H79T112354	\$ 408,324
<u>U.S. Department of Justice</u>		
Passed-Through State Justice Cabinet:		
Juvenile Accountability Incentive Block Grant (CFDA #16.523)	01-JB-VX-0021(201)	12,176
Juvenile Accountability Incentive Block Grant (CFDA #16.523)	02-JB-BX-0023(202)	17,374
Title V - Juvenile Delinquency Prevention Program (CFDA #16.548)	01-JP-FX-001(Taylor)	<u>72,528</u>
Total U.S. Department of Justice		<u>\$ 102,078</u>
<u>U.S. Department of Housing and Urban Development</u>		
Passed-Through State Department for Local Government:		
Community Development Block Grant Green River (CFDA #14.228)	98-DC-21-0001(017)	\$ 20,000

TAYLOR COUNTY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For The Fiscal Year Ended June 30, 2003  
 (Continued)

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<u>U. S. Federal Emergency Management Agency</u>		
Passed-Through State Department of Military Affairs:		
Disaster and Emergency Assistance Grant Coordinator Salary (CFDA #83.503)	N/A	\$ 1,987
<u>U.S. Department of Commerce</u>		
Direct Program:		
Personal Responsibility In A Desirable Environment (CFDA #11.469)	CF01-41	<u>55,548</u>
Total Cash Expenditures of Federal Awards		<u>\$ 587,937</u>

TAYLOR COUNTY  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Fiscal Year Ended June 30, 2003

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Taylor County, Kentucky and is presented on the modified cash basis of accounting. The information in the schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local, Governments, and Non-Profit Organizations.

Note 2 -The federal expenditures for Targeted Capacity Expansion include payments to the following subrecipient:

<u>Subrecipient</u>	<u>Number</u>	<u>Pass-through Grant Amount</u>
Adanta	6H79T112354	<u>\$ 288,150</u>

THIS PAGE LEFT BLANK INTENTIONALLY



## SUMMARY OF PRIOR AUDIT FINDINGS



TAYLOR COUNTY  
SUMMARY OF PRIOR AUDIT FINDINGS

For The Fiscal Year Ended June 30, 2003

Reference Number 2002 - 1

Fiscal Court Should Implement Policies To Monitor Subrecipient's Federal Funds

Status:

Partially corrected.

Corrective Action Plan:

*From this day forward, all documentation and reimbursements will be monitored by FC. Will get Co. Attorney to draw up contract between FC and Adanta - A Contract stating the responsibilities of grant administrator.*

THIS PAGE LEFT BLANK INTENTIONALLY

CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

TAYLOR COUNTY FISCAL COURT

For The Fiscal Year Ended  
June 30, 2003



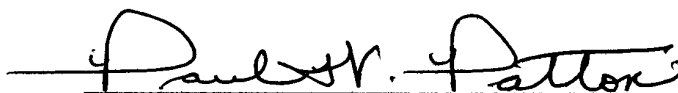
**CERTIFICATION OF COMPLIANCE**

**LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS**

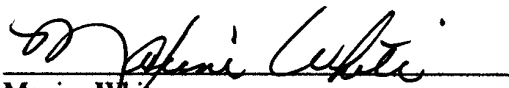
**TAYLOR COUNTY FISCAL COURT**

**Fiscal Year Ended June 30, 2003**

The Taylor County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Program and Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

A handwritten signature in black ink, appearing to read "Paul W. Patton", written over a horizontal line.

Paul W. Patton  
County Judge/Executive

A handwritten signature in black ink, appearing to read "Maxine White", written over a horizontal line.

Maxine White  
County Treasurer





